



EAST KENTUCKY POWER COOPERATIVE

RECEIVED
OCT 14 2004
PUBLIC SERVICES
COMMISSION

October 14, 2004

HAND DELIVERED

Ms. Elizabeth O'Donnell
Executive Director
Public Service Commission
211 Sower Boulevard
Frankfort, KY 40602

Re: PSC Case No. 2004-00330

Dear Ms. O'Donnell:

Please find enclosed for filing with the Commission an original and eight (8) copies of the Responses of East Kentucky Power Cooperative, Inc., Inter-County Energy Cooperative Corporation, Nolin Rural Electric Cooperative Corporation, and Salt River Electric Cooperative Corporation to the Data Requests of the Commission Staff and the Attorney General dated October 4, 2004.

Very truly yours,

Charles A. Lile
Senior Corporate Counsel

Enclosures

Cc: Elizabeth E. Blackford, Esq.- Office of the Attorney General

**EAST KENTUCKY POWER COOPERATIVE, INC.,
INTER-COUNTY ENERGY COOPERATIVE CORPORATION,
NOLIN RURAL ELECTRIC COOPERATIVE CORPORATION, AND
SALT RIVER ELECTRIC COOPERATIVE CORPORATION**

PSC CASE NO. 2004-00330

**RESPONSES TO OFFICE OF THE ATTORNEY GENERAL'S
SUPPLEMENTAL REQUEST FOR INFORMATION
DATED 10/04/04**



**EAST KENTUCKY POWER COOPERATIVE, INC.,
INTER-COUNTY ENERGY COOPERATIVE CORPORATION,
NOLIN RURAL ELECTRIC COOPERATIVE CORPORATION, AND
SALT RIVER ELECTRIC COOPERATIVE CORPORATION
PSC CASE NO. 2004-00330
FIXED BILL PILOT PROGRAM
SUPPLEMENTAL INFORMATION REQUEST RESPONSE**

**ATTORNEY GENERAL OFFICE SUPPLEMENTAL REQUEST DATED 10/04/04
REQUEST 1**

RESPONSIBLE PARTY: James C. Lamb

REQUEST 1. Follow-up to Response to AG-1-1 and 17:

REQUEST 1a. Will meters be read monthly for the FB customer or read on the same cycle as they are read for standard residential customers, if standard reading is other than monthly? If not, how often will they be read?

RESPONSE 1a. Meters will be read monthly for fixed bill customers on the same cycles as other residential customers. Participants in the pilot will continue to have their meters read in the same billing cycle as existed prior to the pilot.

REQUEST 1b. If they are to be read less often, do EKPC or the participating member co-ops anticipate any savings associated with a reduction in meter reading costs?

RESPONSE 1b. Please see response to 1a.

REQUEST 1c. Are load research meters already in place on enough standard residential customer accounts to constitute a control group, or will load research meters

have to be installed for those chosen to be in the control group? If the latter, is that cost included in the costs outlined in response to AG-1-1?

RESPONSE 1c. Load research meters for customers to be used as a control group are already in place as part of EKPC's residential load research sample. Information from the control group will be compared to the information from load research meters installed for 100 of the fixed bill participants.



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FIXED BILL PILOT PROGRAM

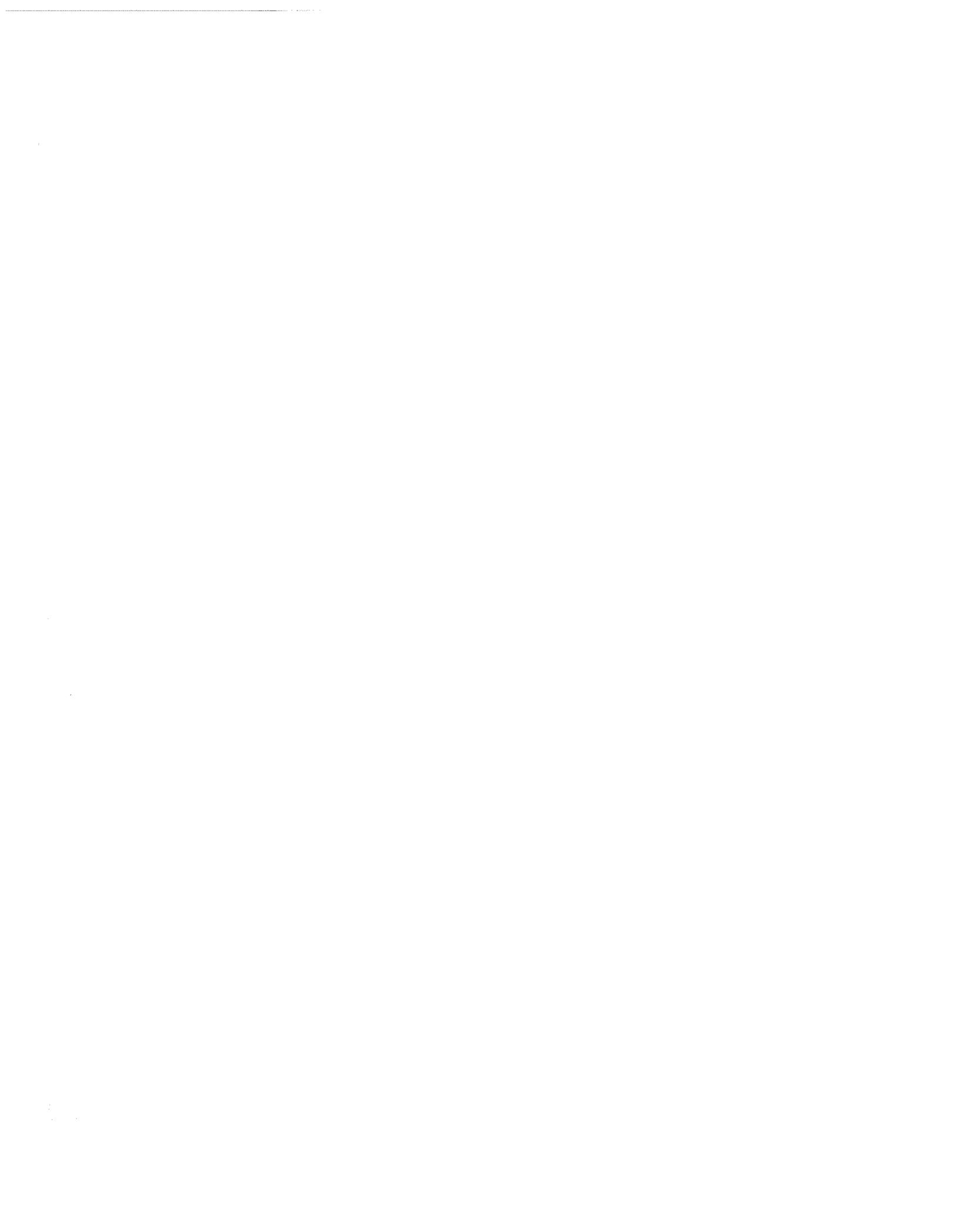
SUPPLEMENTAL INFORMATION REQUEST RESPONSE

**ATTORNEY GENERAL OFFICE SUPPLEMENTAL REQUEST DATED 10/04/04
REQUEST 2**

RESPONSIBLE PARTY: Michael T. O'Sheasy

REQUEST 2. Follow-up to Response to AG-1-19: Can the impact of usage growth on peak demand resulting from “growth in usage induced by FB” be distinguished from “natural growth in usage” other than by comparison to the proxy control group? If so, how?

RESPONSE 2. As mentioned, it is not necessary when computing a fixed bill offering based upon historical usage to separate natural growth regardless of fixed bill from fixed bill-induced growth. However, if one wanted to do so, a practical approach would be to measure the natural growth experienced by a like group of proxy customers who did not participate in the fixed bill product. About the only other means to measure natural growth would be to examine the growth of the fixed bill customers for periods of time prior to volunteering for fixed bill. Unfortunately this method would be quite difficult to apply since there are many factors which can influence natural growth that may or may not be representative of the natural growth during the period of time for the fixed bill pilot. These complicating factors are assumed to operate similarly for the proxy customers as for the fixed bill pilot volunteers, allowing these issues to filter out in the comparison of fixed bill volunteers to the proxy group.



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**ATTORNEY GENERAL OFFICE SUPPLEMENTAL REQUEST DATED 10/04/04
REQUEST 3**

RESPONSIBLE PARTY: James C. Lamb

REQUEST 3. Follow-up to Response to AG-1-20: Are the Joint Applicants willing to expand surveys pertaining to the FB pilot to solicit from FB pilot customers the changes use or types of use that they, the customers, attribute to being on FB?

RESPONSE 3. Yes. The Joint Applicants intend to gather detailed information from participants. See also the response to Staff-16, second data request.



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**ATTORNEY GENERAL OFFICE SUPPLEMENTAL REQUEST DATED 10/04/04
REQUEST 4**

RESPONSIBLE PARTY: James C. Lamb/William A. Bosta

REQUEST 4. Follow-up to Response to AG-1-35, page 2 of 204: Do the Joint Applicants believe that the utilization of a price-based rate rather than a cost-based rate for the same class of customers violates KRS 278.170? Please explain.

RESPONSE 4. KRS §278.170 (1) prohibits a utility from giving any unreasonable rate or service preference or advantage to any person, from subjecting any person to an unreasonable rate or service prejudice or disadvantage, or from establishing or maintaining any unreasonable differences between localities or customer classes receiving the same type of service. The Joint Applicants believe that the proposed fixed bill program does not violate any of these prohibitions, in that there are reasonable justifications for the billing distinctions which are inherent in the fixed bill program.

The use of the term “price-based marketing” was overly broad in the subject email message. The rates to be developed in the proposed fixed bill program are based on costs derived from projections of usage, rather than market prices. The rates can be described as “market influenced”, due to the fact that the product was derived from market-based interest by energy consumers, as well as a growing mass-market interest in products like

this fixed bill product, as observed in other industries such as telecommunications, internet, and cable TV. However, these will not be true market-based rates.

It is important to note that the fixed bill program is not intended to allow participating customers to get a lower rate for service, nor is it intended to impose unjustified additional costs on such customers. It is expected that customers who voluntarily join this program will pay marginally higher rates, due to the need to add a risk premium. This is simply an additional cost that such customers agree to pay for the benefit of a fixed bill. The Joint Applicants believe that the additional cost of this benefit is reasonable. As a result, Joint Applicants believe that the fixed bill concept is not in violation of KRS 278.170.



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**ATTORNEY GENERAL OFFICE SUPPLEMENTAL REQUEST DATED 10/04/04
REQUEST 5**

RESPONSIBLE PARTY: William A. Bosta

REQUEST 5. Follow-up to Response to AG-1-35, page 10 of 204: The quoted article indicates flat pricing programs are not designed to earn a given return over any given year, but rather, over multiple years. Given that assumption, how would revenues and/or losses for any given year be treated in a test year for ratemaking purposes were the FB to become a permanent offering?

RESPONSE 5. As indicated in the response to Staff first data request, Item 7c, the Joint Applicants will not seek recovery of revenue losses, if any, from the pilot program. The Joint Applicants have not yet determined how to handle, for ratemaking purposes, the costs and revenues from the fixed bill program if made permanent. This matter will be addressed in the Application for approval of a permanent fixed bill program if it is made.

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SUPPLEMENTAL DATA REQUEST RESPONSE**

**COMMISSION STAFF'S SUPPLEMENTAL DATA REQUEST DATED 10/04/04
REQUEST 6**

RESPONSIBLE PARTY: William A. Bosta

REQUEST 6. Refer to Item 7 of the response to the Staff's initial request, which notes that unplanned outages as referenced in the request "have been extremely rare." Even though such outages are rare, in the event of an extended outage such as the 2003 ice storm, is it the Joint Applicants' position that fixed bill customers would see no impact from the resulting reduction in energy use until the following year of the program? Explain the response.

RESPONSE 6. Yes. For the proposed pilot program, there will be no change in the fixed bill amount throughout the year. This issue will be addressed again if the decision is made to pursue a permanent tariff.

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**COMMISSION STAFF'S SUPPLEMENTAL DATA REQUEST DATED 10/04/04
REQUEST 7**

RESPONSIBLE PARTY: Michael T. O'Sheasy

REQUEST 7. Refer to Item 8 of the response to the Staff's initial request, which states that if customers have 24 months of data, or 36 months of data, this is the amount of data that will be used.

REQUEST 7a. Provide references to the Joint Application that specifically state that if a customer has 24 months of billing data or 36 months of billing data, that this information would be utilized to determine the customer's fixed bill.

RESPONSE 7a. The objective in selecting data for use in offer generation is to obtain the best forecast of the individual customer's likely usage for the future period. EKPC's Joint Application states that fixed billing will be available to customers with "*at least* twelve (12) consecutive months of billing history". This statement delineates a *minimum* data requirement only for computation of a fixed bill offer but does not specify precisely how much data will be used.

REQUEST 7b. Will every customer's bill be based upon that customer's number of months of data? If yes, explain why it is reasonable for a customer's fixed bill amount to be derived differently solely because the customer has been at a particular residence for a different length of time than another customer has been at their place of residence.

RESPONSE 7b. The response to staff's initial data request, item 8, supplemented the Joint Application by indicating that if 24 or 36 months of data are available, they will be used. This additional data provides improved statistical reliability, as it encompasses two or three outcomes for each of the seasons of the year, thereby providing enhanced understanding of each customer's weather sensitivity. The effect of this increased accuracy is to improve the quality of each customer's offer and enhance customer eligibility for a given level of "acceptable explanatory power", regarding which, please see the response to 7c, below.

With respect to staff request 7b's inquiry about possible impacts of different customers having different amounts of data, the goal is to provide the best, most accurate forecast of each individual fixed bill customer's usage during the contract period. That is, improved accuracy by using available data helps to improve offers. The intent, therefore, is to make the best possible use of the data in the development of an offer rather than constraining offer quality by restricting data use only to a minimum threshold value.

REQUEST 7c. Provide a definition and/or explanation for the phrase "acceptable explanatory power" as it is used in the response.

RESPONSE 7c. The phrase "acceptable explanatory power" uses the words "explanatory power" in the standard manner of regression analysis: the values of the right-hand side (independent) variables "explain" the values of the left-hand side

(dependent) variable to some degree. That degree is reflected in the well-known R-Squared statistic, sometimes referred to as the coefficient of determination. The “acceptable” component of the phrase indicates that EKPC and its participating member systems may select a cutoff level of explanatory power for offer viability. This cutoff level is one way to control risk to the provider (and its other customers) by preventing offers being made that may less effectively reflect a customer’s expected consumption than do offers to customers in which a better regression “fit” occurs.

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**COMMISSION STAFF'S SUPPLEMENTAL DATA REQUEST DATED 10/04/04
REQUEST 8**

RESPONSIBLE PARTY: William A. Bosta

REQUEST 8. Refer to Item 9 of the response to the Staff's initial request.
Provide the names of the several companies with fixed bill programs that have utilized
the practices referenced in the response.

RESPONSE 8. Duke Power Company in North Carolina
Duke Power Company in South Carolina
Progress Energy Company in North Carolina
Progress Energy Company in South Carolina

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**COMMISSION STAFF'S SUPPLEMENTAL DATA REQUEST DATED 10/04/04
REQUEST 9**

RESPONSIBLE PARTY: William A. Bosta/Michael T. O'Sheasy

REQUEST 9. Refer to Item 10 of the response to the Staff's initial request.

REQUEST 9a. Neither the proposed change to the fuel adjustment clause ("FAC") billing mechanism nor the environmental surcharge have been approved by the Commission. Explain in detail why the Joint Applicants believe it would be reasonable to include estimates reflecting the pending change in the FAC and the environmental surcharge in customers' fixed bills.

RESPONSE 9a. The determination of the fixed bill amount must reflect the best possible estimate of expected consumption as well as the base rates, FAC and surcharges expected to be in place during the first year. As a result, the Joint Applicants have utilized an approach which recognizes the most likely environmental surcharge and fuel adjustment charge scenarios that are expected to occur in 2005. The environmental

surcharge factor estimate is based on the filing submitted by EKPC and Member Systems on September 17, 2004. EKPC is one of the last utilities in the state to apply for approval of an environmental surcharge and has proposed its compliance plan and environmental surcharge tariff sheet consistent with the treatment of major issues previously decided by the Commission in prior cases involving Kentucky Utilities, Louisville Gas and Electric and AEP. EKPC believes that use of its proposed surcharge amount as the first year pilot program estimate is reasonable.

The use of the FAC factor of 3 mills per kWh is in anticipation of the Commission accepting EKPC's proposal filed August 20, 2004. The use of the cap is a reasonable approximation of FAC costs billed to customers because it reflects what will happen during 2005 under EKPC's proposed cap, even if FAC costs increase more rapidly than expected. Under that proposal, EKPC would continue to bill 3 mills per kWh and accumulate deferred FAC costs for future amortization.

While the Joint Applicants understand the concern about the timing of the implementation of the proposed pilot, there will always be uncertainties associated with projecting the level of FAC and environmental surcharge costs, and reasonable projections of those costs will always be a part of a fixed bill program. The Joint Applicants assert that the first year estimates of these costs for the pilot program are based on the most reliable information available at this time, and are reasonable.

REQUEST 9b. Explain in detail why the Joint Applicants believe they can charge customers any environmental surcharge prior to its approval by the Commission.

RESPONSE 9b. The Joint Applicants would not be charging these customers such costs as a designated environmental surcharge, but are proposing to include in the fixed bill amount a reasonable projection of the cost impact of an environmental surcharge as a

way to reflect the overall rates that are most likely to apply in the first year of the pilot. As explained in the response to PSC Request 10, first data request, the Joint Applicants have recognized the time when the environmental surcharge is expected to be approved by levelizing the rate effect throughout the entire year. EKPC plans to levelize the surcharge for fixed bill customers with the result that these customers will see a slightly higher bill effect from the environmental surcharge in the early months and a slightly lower bill effect in the latter months than had they remained under the standard tariff.

As indicated in the response to 9a, reasonable estimates of future environmental surcharge amounts will be needed as an on-going part of a fixed bill program. Including the anticipated effect of the implementation of the environmental surcharge in a levelized manner is highly desirable in order to reflect the most likely future rate scenario. Other alternatives, such as 1) excluding it altogether or 2) adjusting fixed bills at the time of implementation, have significant drawbacks.

The first alternative, excluding the surcharge, will just encourage customers to join fixed billing to avoid a few months of the surcharge, and would unfairly benefit such participants, who would pay less than they should under standard rates. Furthermore, such a distinct incentive for participation by customers will contaminate the customer population during the pilot, reducing the information value of the pilot for EKPC, its member systems and the PSC.

The second alternative, adjusting the bill during the contract, would significantly jeopardize the program's benefits by altering participants' perceptions of the product. Participants wanting a fixed billing amount for the entire year would simply not receive that benefit, defeating the primary value of the program. Because satisfied participants are essential to the continued viability of the program, a loss of faith in the "fixed" nature of the bill could severely damage the program.

The Joint Applicants recognize that this is a complex aspect of this project and are willing to consider differing approaches to this issue, but strongly believe that all costs must be levelized for the entire year, for the pilot program results to be reliable.

REQUEST 9c. Given that the proposed change to the FAC billing mechanism and the proposed environmental surcharge will impact the determination of the fixed bill, would the Joint Applicants agree that proposing the fixed bill pilot program at this time is premature? Explain the response.

RESPONSE 9c. No, the Joint Applicants do not believe that the pilot program is premature, for at least three reasons. First, interest in the fixed bill concept currently exists, as indicated by the participating EKPC member systems in this case. The Joint Applicants feel that this is an excellent time to respond to this interest, and to establish a program which will educate other member consumers who may share a desire for such a service once they are offered it.

Second, any delay in the implementation of the pilot program is unlikely to produce more representative results. It will almost always be the case that there is some rate uncertainty attached to contract periods of a year or more. Since such uncertainty is one of the challenges of successfully administering a fixed bill program, attempting to select a period of relative rate stability for the pilot program could produce unrealistic results. The Joint Applicants believe that the next year will be a very robust test of the proposed program.

Finally, the proposed pilot program has been fully planned and designed, and is ready for implementation this coming winter season. A delay would result in additional costs, time and effort that would be associated with re-launching the pilot program, including re-validation of data, review and adjustment of the program, and re-filing of a Commission application.

The Joint Applicants believe that it is important to maintain the proposed schedule for the pilot program, and do not feel that the pending FAC billing change and environmental surcharge case should be seen as a reason to delay implementation.

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**COMMISSION STAFF'S SUPPLEMENTAL DATA REQUEST DATED 10/04/04
REQUEST 10**

RESPONSIBLE PARTY: James C. Lamb

REQUEST 10. Refer to Item 11 of the response to the Staff's initial request, which indicates that only 384 customers are required for the pilot in order to have a sample with a 95 percent confidence level and a 5 percent error rate.

REQUEST 10a. The response states that the incremental cost of having more participants in the program is low. Provide a more detailed discussion of the magnitude of this incremental cost.

RESPONSE 10a. In previous responses, EKPC has reported the cost of the pilot, and described the cost components. Some costs, such as postage, depend on the number of pilot participants, but the bulk of the pilot's costs are fixed costs, which means that they would generally be incurred whether the pilot project included 1,000 participants or 384 participants.

REQUEST 10b. Recognizing that 384 would be the minimum number of participants that would constitute a valid sample, and taking into consideration the response to part (a) of this request, explain how the Joint Applicants determined that 1,050 was the “right” number of participants for the pilot program.

RESPONSE 10b. EKPC and its participating members want to implement a pilot project with 1,050 customers because (i) the cost of the pilot is not significantly affected by the number of participants, and (ii) the chosen number of pilot participants will allow EKPC and its members to better understand customer response to the idea of a fixed bill.

The response to 10a discusses the fact that a high percentage of the pilot’s total cost is fixed. This means that having a pilot with 1,050 participants versus a pilot of 384 participants is an issue that is not based on cost as much as it is on other factors. Since the pilot program is going to be applied to three separate utilities, and knowing that each utility is going to be interested in its own results, each participating utility decided to seek 350 pilot participants, for a total of 1,050.

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**COMMISSION STAFF'S SUPPLEMENTAL DATA REQUEST DATED 10/04/04
REQUEST 11**

RESPONSIBLE PARTY: James C. Lamb

REQUEST 11. Refer to Item 12 of the response to the Staff's initial request. The request referenced the testimony of James C. Lamb, specifically the statement that "The implied response rate of 7% is a typical assumption, based on *our* inquiries at utilities that have offered fixed billing pilot programs previously." (Emphasis added). The response indicates that the 7 percent response rate was not the result of East Kentucky's inquiries at other utilities but was based on the recommendation of Jan Moore, who apparently is a consultant who has experience with utilities that have offered fixed bill programs.

REQUEST 11a. Provide copies of correspondence, e-mails or other communications between any of the Joint Applicants and Mr. Moore regarding a 7 percent response rate.

RESPONSE 11a. As indicated in the response to Item 12 of the Staff's initial request, Mr. Moore is President of a marketing firm called Direct Options. This company has extensive experience in the area of fixed bill programs and in working with utilities.

The Joint Applicants do not have any correspondence, e-mails or any other non-verbal communications with Direct Options regarding the 7 percent response rate. Rather, that figure was presented to the Joint Applicants verbally based on the company's experience in working with other utilities and fixed bill programs.

REQUEST 11b. Provide copies of correspondence, e-mails or other communications between any of the Joint Applicants and Mr. Moore regarding any aspect of the proposed fixed bill program.

RESPONSE 11b. Attached is the most recent communication from Mr. Moore. All other forms of communication with Mr. Moore were previously provided in response to AG-35, AG first data request.

Bill Bosta

From: Jim Lamb
Sent: Tuesday, October 12, 2004 8:00 AM
To: Bill Bosta
Subject: FW: 2004-1011-EKPC04 Campaign (Drop in November).xls

-----Original Message-----

From: Jan S. Moore [mailto:jsmoore@directoptions.com]
Sent: Monday, October 11, 2004 5:40 PM
To: Sandy Mollenkopf; Jim Lamb; Randy Bucknam
Subject: 2004-1011-EKPC04 Campaign (Drop in November).xls

Folks:

Great meeting today. Thanks for sharing so much info.

Attached is a revised schedule for a November 10 mail date. Lots to be done.

Creative development is the hottest thing we need to do.

The key thing we need to know ASAP is the software (and version) in which we'll receive the artwork.

There are two ways we can approach this:

- 1) Receive the artwork and then work through any "bugs"
- 2) Receive a "previous" file EKPC has put together, let us review it and understand how you build your files.

Given the time frame, we need to move quickly and correctly the first time.

Randy, would like to talk with you at your earliest convenience regarding artwork files.

Thanks

Jan S. Moore
Direct Options
513-779-4416

10/13/2004

East Ke. ay Power Cooperative - Schedule

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2004 Fall Fixed Bill Campaign

- *You will continue to receive enrollments weeks following the posted deadline dates
- *Confirmation packages will begin when we have 500+ enrollments in program and will continue on a weekly basis, thereafter
- *Confirmation drops of less than 500 pieces will be manually processed to reduce expenses
- *East Kentucky Power Cooperative will supply artwork and final creative - Direct Options will provide initial creative & copy concepts
- *Data dates based on cleaning 80K - 90K records in preparation for mailing 15K offer letters
- *Schedule subject to change based upon final program design

September Monday	Tuesday	Wednesday	Thursday	Friday	Saturday	Sunday
6	7	8	9	10	11	12
13	14	15	16	17	18	19
20	21	22	23	24	25	26
27	28	29	30			



2004 Fall Fixed Bill Campaign

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October Monday	Tuesday	Wednesday	Thursday	Friday	Saturday	Sunday
4	5	6	7	8	9	10
11 Columbus Day	12 Initial creative & copy concepts e-mailed to EKPC	13	14 Review creative/artwork needs with EKPC Data received from EKPC	15 Postage invoice e-mailed to EKPC Data counts provided to EKPC	16	17
18 Verify scan gun requirements for Online Scanner Database Data counts approved by EKPC	19 Final creative approved by EKPC and uploaded to DO's FTP Site (AM) Creative files sent to printer	20 Match Print Proofs shipped to EKPC Verify ink & paper specs with printer	21 Match Print Proofs received by EKPC Seed list requested from EKPC	22 Match Print Proofs approved by EKPC	23	24
25 Seed list provided by EKPC	26 Online Scanner Database training material and scan gun shipped to EKPC Press check at printer	27 Data processed and verified by DO Offer counts provided to EKPC	28 Offer counts approved by EKPC Mailfile sent to lettershop along with count requirements	29 Postage reminder to EKPC Lettershop provides DO with counts Print material received at lettershop	30	31



2004 Fall Fixed Bill Campaign

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- *Confirmation drops of less than 500 pieces will be manually processed to reduce expenses
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November	Tuesday	Wednesday	Thursday	Friday	Saturday	Sunday
1 Monday Verify sample reqs with EKPC Live samples shipped to EKPC Online Scanner Database populated with live data	2 Sample report e-mailed to EKPC for review Live samples received by EKPC	3 Postage deposit received from EKPC Lettershop supplies DO w/ postage requirements Live samples tested on Online Scanner Database	4 Report changes supplied by EKPC Live samples approved by EKPC	5 Postage shipped to lettershop	6	7
8 Postage received by lettershop Online Scanner Database reset by DO (after testing)	9 Final report design e-mailed to EKPC	10 EKPC Drop #1 7,500 pieces Confirm reporting, data processing & conf schdl.	11 Veterans Day	12	13	14
15 Lettershop samples shipped to DO	16 Lettershop samples received at DO	17 Lettershop samples shipped to EKPC	18 EKPC Drop #2 7,500 pieces EKPC SM Drop #1 7,500 pieces	19	20	21
22	23	24 EKPC SM Drop #2 7,500 pieces Deadline Drop #1	25 Thanksgiving	26	27	28
29	30					

East Kentucky Power Cooperative - Schedule



2004 Fall Fixed Bill Campaign

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<u>December</u>	<u>Tuesday</u>	<u>Wednesday</u>	<u>Thursday</u>	<u>Friday</u>	<u>Saturday</u>	<u>Sunday</u>
<u>Monday</u>		1 Deadline Drop #2	2	3	4	5
6	7	8	9	10	11	12
13	14	15	16	17	18	19
20	21	22	23	24 Christmas Eve	25 Christmas Day	26
27	28	29	30	31 New Years Eve		

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FIXED BILL PILOT PROGRAM
SUPPLEMENTAL DATA REQUEST RESPONSE**

**COMMISSION STAFF'S SUPPLEMENTAL DATA REQUEST DATED 10/04/04
REQUEST 12**

RESPONSIBLE PARTY: Michael T. O'Sheasy

REQUEST 12. Refer to the response to the Staff's initial request, Item 13 and the response to the Attorney General's September 14, 2004 data request ("AG's initial request"), Items 24 and 35. In these responses, the Joint Applicants have declined to provide certain information which they contend is confidential. These responses violate 807 KAR 5:001, Section 7, part 5a, which states no party to any proceeding shall fail to respond to discovery by the Commission, its staff, or any other party, on the grounds of confidentiality. Provide the information originally requested for all three items. If necessary, the Joint Applicants should submit the information in compliance with the provisions of 807 KAR 5:001, Section 7.

RESPONSE 12. Mr. O'Sheasy's responses to Staff Request 13 and AG Request 24 were based on his recollections of the results of Georgia Power's fixed bill program while he was the rates manager at Georgia Power, and while Vice-President at Christensen Associates.

If studies of customer usage or revenues were conducted by Georgia Power or Duke Power, those studies would be considered proprietary and confidential, and Mr. O'Sheasy would have no authority to acknowledge the existence of such studies or to provide them in this case.

Mr. O'Sheasy has obtained monthly reports filed by Georgia Power, Progress Energy and Duke Power in regard to their fixed bill programs with the state commissions in Georgia and North Carolina, respectively, which contain comparisons of expected and actual customer usage, in addition to program revenue figures and other information. While this is not as detailed as the information requested, it is the best information available to Mr. O'Sheasy for submission. Copies of these reports are attached.

Information redacted in the initial response to AG Request No. 35 will be provided pursuant to a Petition for Confidential Treatment of Information to be submitted by Christensen Associates.

Duke Power



Lara Simmons Nichols
Assistant General Counsel

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September 15, 2004

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FILED
SEP 16 2004

Clerk's Office
N.C. Utilities Commission

Mrs. Geneva S. Thigpen, Chief Clerk
North Carolina Utilities Commission
4325 Mail Service Center
Raleigh, North Carolina 27699-4325

Re: Docket No. E-7, Sub 710
Fixed Payment Plan

Dear Mrs. Thigpen:

Pursuant to the Order Approving Fixed Payment Program for Residential Customers dated July 17, 2002, in the above-referenced docket, Duke Power (Duke), a division of Duke Energy Corporation, submits the original and 30 copies of Fixed Payment Plan Status Report for the month of August 2004 for filing in the subject docket.

Sincerely,

Lara Simmons Nichols

25
AD
Bennett
Kinley
Watson
Haeun
Hite
Lisome
Haywood
Ericksen
Ex. Dir.
3 Legal
Asst.
2 EC/Res.
3 Electric

pa

Enclosure

cc: Benjamin R. Turner, Jr.



Fixed Payment Plan Status Report
 Docket # E-7, Sub 710
 NORTH CAROLINA
 TOTAL PROGRAM
 Report Date: August 2004

Description	Aug-02	Sep-02	Oct-02	Nov-02	Dec-02
FPP Customers	39,818	37,395	36,156	35,992	36,525
FPP Bills	2,101	39,908	36,715	35,962	43,072
Predicted MWh Consumption	3,054	51,909	33,531	32,529	45,514
Actual MWh Consumption	3,001	51,931	35,664	33,736	(2,442)
Variance	53	(22)	(2,133)	(1,207)	\$3,360
FPP Bill Amount (thousands)	\$187	\$3,655	\$3,390	\$3,309	\$3,334
Actual Bill Amount (thousands)	\$229	\$3,982	\$2,779	\$2,549	\$761
Variance (thousands)	(\$43)	(\$327)	\$611	\$761	\$25
Termination Fees	\$0	\$60	\$240	\$2,430	\$1,110
Number of Terminations	0	2	8	81	37

Description	Jan-03	Feb-03	Mar-03	Apr-03	May-03	Jun-03	Jul-03	Aug-03	Sep-03	Oct-03	Nov-03	Dec-03
FPP Customers	35,761	35,605	52,229	51,818	51,599	51,512	51,114	50,884	55,991	55,403	55,165	54,698
FPP Bills	35,475	35,817	54,401	51,424	52,440	51,241	51,578	50,562	56,066	55,513	55,073	55,776
Predicted MWh Consumption	50,026	45,156	59,379	49,807	46,988	58,690	78,485	75,442	74,273	52,845	54,943	73,212
Actual MWh Consumption	50,388	51,036	59,698	49,149	48,711	51,242	71,438	72,641	77,174	49,805	47,657	71,539
Variance	(362)	(5,880)	(319)	658	(1,723)	7,448	7,047	2,801	(2,901)	3,039	7,286	1,673
FPP Bill Amount (thousands)	\$3,269	\$3,302	\$5,067	\$4,803	\$4,916	\$4,804	\$4,785	\$4,758	\$5,552	\$5,451	\$5,465	\$5,532
Actual Bill Amount (thousands)	\$3,656	\$3,692	\$4,404	\$3,693	\$3,687	\$3,877	\$5,502	\$5,631	\$5,993	\$3,952	\$3,682	\$5,306
Variance (thousands)	(\$387)	(\$391)	\$662	\$1,110	\$1,228	\$927	(\$717)	(\$873)	(\$441)	\$1,500	\$1,783	\$227
Termination Fees	\$1,140	\$870	\$1,830	\$1,470	\$1,560	\$1,410	\$990	\$270	\$3,030	\$2,010	\$2,220	\$1,770
Number of Terminations	38	29	61	49	52	47	33	9	101	67	74	59

Clerks Office
 N.C. Utilities Commission



Forecasted Payment Plan Status Report
Docket # E-7, Sub 710
NORTH CAROLINA
TOTAL PROGRAM
Report Date: August 2004

Description	Jan-04	Feb-04	Mar-04	Apr-04	May-04	Jun-04	Jul-04	Aug-04	Sep-04	Oct-04	Nov-04	Dec-04	TOTAL
FPP Customers	54,357	54,075	57,466	56,894	56,487	55,912	55,602	55,455					N/A
FPP Bills	50,992	53,754	60,937	59,299	53,699	59,854	52,868	56,636					N/A
Predicted MWh Consumption	79,330	75,079	74,054	62,007	52,047	73,042	85,713	89,077					1,473,688
Actual MWh Consumption	81,783	82,786	71,566	63,353	53,845	76,623	80,499	80,999					1,461,776
Variance	(2,453)	(7,708)	2,489	(1,346)	(1,798)	(3,581)	5,214	8,078					11,910
FPP Bill Amount (thousands)	\$5,052	\$5,348	\$6,173	\$5,880	\$5,416	\$5,997	\$5,321	\$5,738					\$116,629
Actual Bill Amount (thousands)	\$5,970	\$6,041	\$5,341	\$4,787	\$4,121	\$5,805	\$6,268	\$6,369					\$110,653
Variance (thousands)	(\$918)	(\$693)	\$832	\$1,193	\$1,294	\$191	(\$947)	(\$632)					\$5,976
Termination Fees	\$1,260	\$980	\$2,580	\$2,400	\$1,590	\$1,830	\$870	\$540					\$34,470
Number of Terminations	42	33	86	80	53	61	29	18					1,149

NOTE:
 No meaningful conclusion can be drawn from a comparison of the FPP Bill Amount and the Actual Bill Amount because the FPP Bill Amount reflects average monthly usage and normal weather, whereas Actual Bill Amount reflects the variability of usage from month to month due mostly to weather. Therefore, a comparison of FPP Bill Amount and Actual Bill Amount will not illustrate whether the cause of any variance is due to weather, change in the customer's usage patterns or other reasons.

Progress Energy



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October 5, 2004

FILED

OCT 05 2004

Clerk's Office
N.C. Utilities Commission

Mrs. Geneva S. Thigpen, Chief Clerk
North Carolina Utilities Commission
P. O. Box 29150
Raleigh, North Carolina 27626-0510

RE: Residential Balanced Bill Payment Plan – September 2004 Status Report
NCUC Docket No. E-2, Sub 847

Dear Mrs. Thigpen:

Pursuant to the Commission's Order dated February 26, 2004, in the above referenced docket, Progress Energy Carolinas, Inc. submits an original and thirty-two (32) copies of its Monthly Status Report for the Residential Balanced Bill Payment Plan. Please note that the predicted kWh usage for the months of June and July has increased slightly from prior reports to correct an oversight in the methodology used to create the monthly report. The report provides billing statistics for March through September 2004.

Very truly yours,

Len S. Anthony
Deputy Counsel - Regulatory Affairs

(22)
AB
7 Comm:
Blument
Kirley
Watson
Thorne
Assano LSA:mhm
Kitt
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Exec. Dir.
3 PS Legal
3 PS Acctg.
2 PS Ec/Res.
3 PS Electric

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Progress Energy Carolinas, Inc.
 Monthly Status Report - Residential Balanced Bill Payment Plan
 NCUC Docket No. E-2, Sub 847

Description (North Carolina Only)	Mar-04	Apr-04	May-04	Jun-04	Jul-04	Aug-04	Sep-04	Year to Date Totals
Number of Balanced Bill Bills	1,905	12,134	17,252	17,648	17,660	17,661	17,539	101,799
Predicted kWh Consumption	2,284,851	11,830,171	14,652,111	19,932,027	26,720,549	27,256,487	23,528,881	126,205,077
Actual kWh Usage	2,111,462	11,333,237	15,758,213	23,600,708	26,904,381	24,866,422	21,616,087	126,190,510
Variance	173,389	496,934	-1,106,102	-3,668,681	-183,832	2,390,065	1,912,794	14,567
Balanced Bill Payment Amount	\$191,973	\$1,238,659	\$1,847,972	\$1,898,218	\$1,904,242	\$1,901,332	\$1,888,036	\$10,870,432
RES Bill for Actual Usage	\$169,042	\$920,603	\$1,282,668	\$1,866,160	\$2,376,487	\$2,207,168	\$1,950,251	\$10,772,379
Variance	\$22,931	\$318,056	\$565,304	\$32,058	-\$472,245	-\$305,836	-\$62,215	\$98,053
Termination Fees Charged	\$0	\$840	\$1,890	\$1,770	\$900	\$1,140	\$1,530	\$8,070
Number of Terminations (by Customer and Company)	23	122	153	136	107	140	158	839

Notes:

- No meaningful conclusions can be drawn from a comparison of the Balanced Bill Payment Plan amount and the RES Bill based upon actual usage because the Balanced Bill amount reflects average monthly usage and normal weather. Actual usage reflects the variability of usage from month to month primarily due to weather therefore a comparison of bill amounts will not illustrate whether the cause was due to weather, changes in usage permitted by the payment plan or other reasons.
- The predicted kWh for June and July were revised from prior reports to correct an error in the internal reporting methodology.

Georgia Power

August 2004 Monthly Report

Actual Cash Flow January 2004- December 2004

<u>Residential</u>	<u>FB Amount Allocated for risk adder</u>	<u>FlatBill Revenue</u>	<u>Actual R-14 Revenue</u>	<u>Variance (FlatBill - R14)</u>
Jan-04	\$620,382.47	\$13,028,031.83	\$11,680,668.66	\$1,347,363.17
Feb-04	\$622,773.34	\$13,078,240.14	\$11,192,588.22	\$1,885,651.92
Mar-04	\$791,118.86	\$16,613,496.08	\$11,611,764.37	\$5,001,731.71
Apr-04	\$852,612.71	\$17,904,866.86	\$11,142,917.42	\$6,761,949.44
May-04	\$845,533.34	\$17,756,200.19	\$12,008,417.76	\$5,747,782.43
Jun-04	\$851,546.02	\$17,882,466.33	\$22,902,037.27	(\$5,019,570.94)
Jul-04	\$846,670.92	\$17,780,089.42	\$26,146,286.64	(\$8,366,197.22)
Aug-04	\$870,879.26	\$18,288,464.48	\$27,083,894.95	(\$8,795,430.47)
Sep-04	\$0.00			\$0.00
Oct-04	\$0.00			\$0.00
Nov-04	\$0.00			\$0.00
Dec-04	\$0.00			\$0.00
Year to Date	\$6,301,516.92	\$132,331,855.33	\$133,768,575.29	(\$1,436,719.96)

<u>General Service</u>	<u>FB Amount Allocated for risk adder</u>	<u>FlatBill Revenue</u>	<u>Actual GS Revenue</u>	<u>Variance (FlatBill - GS)</u>
Jan-04	\$22,214.87	\$466,512.21	\$440,248.07	\$26,264.14
Feb-04	\$21,699.59	\$455,691.34	\$442,458.53	\$13,232.81
Mar-04	\$22,206.08	\$466,327.75	\$388,604.05	\$77,723.70
Apr-04	\$21,974.13	\$461,456.81	\$357,076.17	\$104,380.64
May-04	\$21,455.23	\$450,559.83	\$371,986.06	\$78,573.77
Jun-04	\$21,773.64	\$457,246.51	\$512,152.45	(\$54,905.94)
Jul-04	\$21,074.87	\$442,572.22	\$538,508.20	(\$95,935.98)
Aug-04	\$21,075.18	\$442,578.87	\$573,397.45	(\$130,818.58)
Sep-04	\$0.00			\$0.00
Oct-04	\$0.00			\$0.00
Nov-04	\$0.00			\$0.00
Dec-04	\$0.00			\$0.00
Year to Date	\$173,473.60	\$3,642,945.54	\$3,624,430.98	\$18,514.56

<u>Total</u>	<u>FB Amount Allocated for risk adder</u>	<u>FlatBill Revenue</u>	<u>Traditional Rate Revenue</u>	<u>Variance (FlatBill - Traditional Rev)</u>
	\$6,474,990.52	\$135,974,800.87	\$137,393,006.27	(\$1,418,205.40)

NOTE: All Figures exclude sales tax.

Monthly Incremental Customer Enrollment

August 2004 Monthly Report

Residential		Total # of Customers	Incremental Change
Year End 2003		137,398	-
	Jan-04	136,979	(419)
	Feb-04	147,601	10,622
	Mar-04	186,515	38,914
	Apr-04	185,609	(906)
	May-04	183,890	(1,719)
	Jun-04	183,743	(147)
	Jul-04	182,182	(1,561)
	Aug-04	181,103	(1,079)
	Sep-04		
	Oct-04		
	Nov-04		
	Dec-04		
Commercial		Total # of Customers	Incremental Change
Year End 2003		4,621	-
	Jan-04	4,564	(57)
	Feb-04	4,563	(1)
	Mar-04	4,560	(3)
	Apr-04	4,537	(23)
	May-04	4,442	(95)
	Jun-04	4,371	(71)
	Jul-04	4,220	(151)
	Aug-04	4,185	(35)
	Sep-04		
	Oct-04		
	Nov-04		
	Dec-04		
Total		Total # of Customers	Incremental Change
Year End 2003		142,019	-
	Jan-04	141,543	(476)
	Feb-04	152,164	10,621
	Mar-04	191,075	38,911
	Apr-04	190,146	(929)
	May-04	188,332	(1,814)
	Jun-04	188,114	(218)
	Jul-04	186,402	(1,712)
	Aug-04	185,288	(1,114)
	Sep-04	-	-
	Oct-04	-	-
	Nov-04	-	-
	Dec-04	-	-

**EAST KENTUCKY POWER COOPERATIVE, INC.,
INTER-COUNTY ENERGY COOPERATIVE CORPORATION,
NOLIN RURAL ELECTRIC COOPERATIVE CORPORATION, AND
SALT RIVER ELECTRIC COOPERATIVE CORPORATION**

**PSC CASE NO. 2004-00330
FIXED BILL PILOT PROGRAM
SUPPLEMENTAL DATA REQUEST RESPONSE**

**COMMISSION STAFF'S SUPPLEMENTAL DATA REQUEST DATED 10/04/04
REQUEST 13**

RESPONSIBLE PARTY: Michael T. O'Sheasy

REQUEST 13. Refer to Item 15 of the response to the Staff's initial request. The Joint Applicants were requested to provide all assumptions, workpapers, and calculations used to determine the 1.6 and 2.1 percent risk factors. This supporting information was not provided for several of the components of the two risk factors. For each of the components listed below, provide the originally requested supporting information:

RESPONSE 13. This response consists of text pertaining to each data item identified in Request 13 and a spreadsheet. The details of the computations for Items 13a, 13c, and 13d can be found in this spreadsheet, entitled *Risk and Delta Q EKPC.xls*. (We have provided a petition for treatment of this spreadsheet as confidential as part of our response.) Items 13b and 13e are derived from information provided by EKPC. In the course of reviewing this spreadsheet, we discovered the need to revise the risk premium for the retail customer's bill. This revision results in a minor change in the risk premium from 2.1 to 2.0 percent and is reflected in the spreadsheet being provided under the petition for confidentiality. The table below shows the revised values for the risk

premium. Note that the Member System risk cost has changed from 0.9 to 0.8 percent, which, when combined with the EKPC risk of 1.2 percent, results in the 2.0 percent risk premium at retail rather than the 2.1 percent. Mr. O'Sheasy will correct his testimony and exhibits at hearing.

EKPC	
(1) Aggregate Risk (%of retail bill)	11.0%
(2) 95th percentile in standard deviations	1.645
(3) Value at Risk (% of retail bill [= (1)x(2)])	18.1%
(4) Cost of Money	6.5%
(5) Risk Cost (%of retail bill) [= (3)x(4)]	1.2%
Risk Cost (% of <i>EKPC</i> bill) [= (5) /73% of retail]	1.6%
Member System	
(1) Aggregate Risk (%of retail bill)	7.4%
(2) 95th percentile in standard deviations	1.645
(3) Value at Risk (% of retail bill [= (1)x(2)])	12.1%
(4) Cost of Money	6.5%
(5) Risk Cost (%of retail bill) [= (3)x(4)]	0.8%
Risk Premium (sum of risk costs based on retail bill)	2.0%

REQUEST 13a. East Kentucky's aggregate risk of 11.2 percent.

RESPONSE 13a. (The revised aggregate risk shown above is 11.0 percent.) Items 13a and 13d are the result of the algebra presented in the response to Staff First Data Request, item 15, specifically the variance formula for risk derivation presented there. That formula for risk derivation contains the standard deviations of each of the sources of risk and the correlations between those sources. We repeat that formula here for convenience.

$$\sigma^2 = \sum_i \sum_j \rho_{ij} \sigma_i \sigma_j, i, j = m, w, p.$$

That is, the variance is equal to the sum of the variances in the sources of risk described above plus the correlations between these sources.

Where possible, these values are derived from data related to EKPC's service territory: price risk and weather risk are based on the local patterns of weather and EKPC's fuel prices. The quantity risk element must rely on fixed bill experience in other service territories until initial results from the proposed pilot program become available. The quantity risk takes two forms, one related to possible departure in overall consumption from the expected level, the other related to possible departure of load factor from the expected level.

The formula for risk derivation is developed separately for EKPC and its member systems. The aggregate risks differ because of the application of the relationship between EKPC and the member systems for fixed billing customers, which results in absorption by EKPC of the bulk of the fuel and weather risk.

Inputs to these calculations and their sources are as follows:

Fuel risk: EKPC's fuel adjustment cost history from 1997 through 2003.

Weather risk: average daily temperature from 1980 to 2003 for the two official weather stations in Kentucky that best reflect weather conditions for the customers of the three member systems: Lexington and Louisville (Standiford AP). HDD and CDD weather indexes were developed from these weather data.

Quantity risk: Assumptions made by Christensen Associates regarding both overall consumption and load factor, based on our experience. Regarding risk associated with load factor, the assumed value reflects 1) the analysis of peak impacts of fixed billing, referenced in Mr. O'Sheasy's testimony at page 11 and in Exhibit MTO-4, page 3 of 4 (which indicates that load factor deterioration is not a strong likelihood); 2) the variability

in EKPC's aggregate monthly load factor; and 3) consideration of the likely range of departures from this history due to customer response to fixed billing.

Correlations: The fuel/weather correlation is derived from statistical analysis of EKPC's fuel cost history and local weather history. Other correlations are assumptions based on our experience.

REQUEST 13b. East Kentucky's cost of money of 6.5 percent.

RESPONSE 13b. This is based on the cost of money used in EKPC's Board-approved twenty-year financial forecast, approved December 2003.

REQUEST 13c. East Kentucky's 73 percent of retail factor.

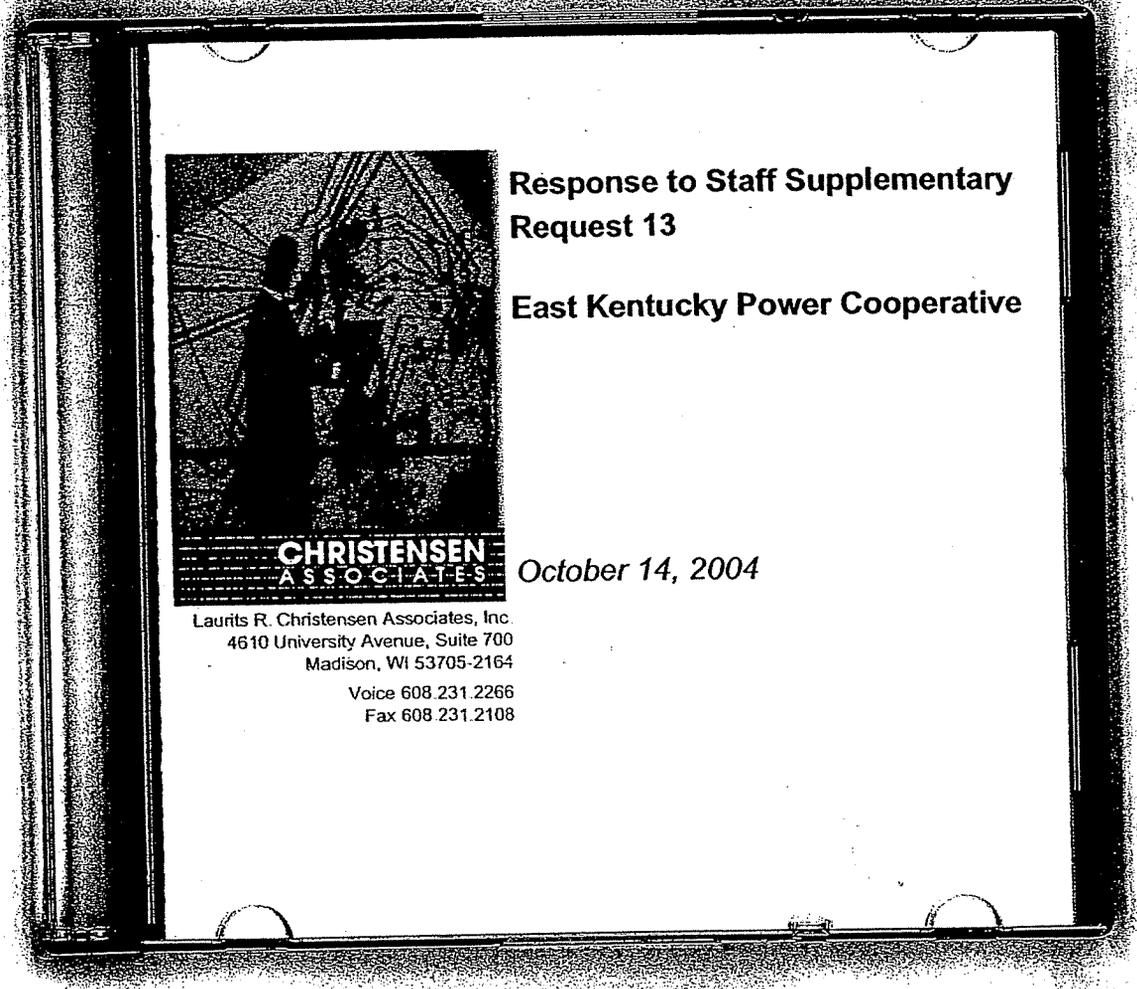
RESPONSE 13c. This value results from the computation of an average wholesale and retail bill for the average EKPC monthly overall and peak consumption in 2002. The 73 percent is simply the wholesale proportion of the retail bill. Retail rates are a weighted average of the rates of the three member systems. Wholesale rates are the current Section E Option 1 rate of EKPC.

REQUEST 13d. The member system's aggregate risk of 8.5 percent.

RESPONSE 13d. Please see the response to 13a for a description of the methodology of risk premium development. (The revised aggregate risk is 7.4 percent.) The risk premium for the member systems can be seen in the risk premium spreadsheet.

REQUEST 13e. The member system's cost of money of 6.5 percent.

RESPONSE 13e. The same cost of money as used for EKPC was used for the sake of tariff consistency.



This cover sheet represents the Redacted version of the Confidential Information.

All information contained in this CD is Confidential and is being provided under a Petition for Confidentiality by Christensen Associates.

**EAST KENTUCKY POWER COOPERATIVE, INC.,
INTER-COUNTY ENERGY COOPERATIVE CORPORATION,
NOLIN RURAL ELECTRIC COOPERATIVE CORPORATION, AND
SALT RIVER ELECTRIC COOPERATIVE CORPORATION**

**PSC CASE NO. 2004-00330
FIXED BILL PILOT PROGRAM
SUPPLEMENTAL DATA REQUEST RESPONSE**

**COMMISSION STAFF'S SUPPLEMENTAL DATA REQUEST DATED 10/04/04
REQUEST 14**

RESPONSIBLE PARTY: Michael T. O'Sheasy

REQUEST 14. Refer to Item 18, page 2 of 4, of the response to the Staff's initial request, which indicates that the usage of customers participating in Gulf Power Company's ("Gulf Power") pilot "Flat Bill" program was approximately 8 percent greater than they predicted if they had not been in the program.

REQUEST 14a. For any of the utilities cited in the application or responses to the Staff's initial request, which have similar programs, provide a summary schedule which shows whether the increase in their participants' usage was greater than or less than the increase of the Gulf Power participants.

RESPONSE 14a. As noted in the response to Request 12, Mr. O'Sheasy does not have authority to acknowledge or submit any proprietary studies of usage which may have been performed by Georgia Power Company or Duke Power Company.

The statistically valid analysis performed by Gulf Power, which was provided in response to the initial data request, is the only such study available for submission. There are reports filed by Georgia Power and Duke Power with their respective state commissions related to this information, which are provided in response to Request 12.

REQUEST 14b. In the schedule requested in part (a) above, show, in increments of 25 percent, how much the difference in the participants' usage varied from the 8 percent increase of Gulf Power's participants. For example, Utility A's participants' usage increase was between 0 and 25 percent less than that of Gulf Power's participants; or Utility B's participants' usage increase was between 25 and 50 percent more than that of Gulf Power's participants.

RESPONSE 14b. Please see response to 14a.

**EAST KENTUCKY POWER COOPERATIVE, INC.,
INTER-COUNTY ENERGY COOPERATIVE CORPORATION,
NOLIN RURAL ELECTRIC COOPERATIVE CORPORATION, AND
SALT RIVER ELECTRIC COOPERATIVE CORPORATION**

**PSC CASE NO. 2004-00330
FIXED BILL PILOT PROGRAM
SUPPLEMENTAL DATA REQUEST RESPONSE**

**COMMISSION STAFF'S SUPPLEMENTAL DATA REQUEST DATED 10/04/04
REQUEST 15**

RESPONSIBLE PARTY: William A. Bosta

REQUEST 15. Refer to Item 14 of the response to the AG's initial request which states that member systems will discuss the reasons for the significant increase in consumption and consider whether the customer may continue in the pilot program if desired. Does this mean that there is the potential for a review of customers who are not complying? If yes, provide an example of an instance when a customer would be allowed to continue in the pilot program if they so desire.

RESPONSE 15. Yes. The Joint Applicants will want to know why the significant increase in consumption occurred. A customer will be allowed to continue to participate in the program, for example, if there is an unexpected malfunction of equipment, such as a heat pump, or if there is a problem with the customer's meter.

**EAST KENTUCKY POWER COOPERATIVE, INC.,
INTER-COUNTY ENERGY COOPERATIVE CORPORATION,
NOLIN RURAL ELECTRIC COOPERATIVE CORPORATION, AND
SALT RIVER ELECTRIC COOPERATIVE CORPORATION**

**PSC CASE NO. 2004-00330
FIXED BILL PILOT PROGRAM
SUPPLEMENTAL DATA REQUEST RESPONSE**

**COMMISSION STAFF'S SUPPLEMENTAL DATA REQUEST DATED 10/04/04
REQUEST 16**

RESPONSIBLE PARTY: James C. Lamb

REQUEST 16. Refer to Item 20 of the response to the AG's initial request. Explain whether there will be an effort to gather usage data from the pilot years to evaluate the impact of a continued fixed bill service offering on East Kentucky's future peak demand. If yes, provide examples of how that data will be gathered and evaluated.

RESPONSE 16. Item 20 of the AG's initial request is related to understanding whether a fixed bill payment option results in an increased peak demand. EKPC and its participating member systems intend to investigate this issue in two ways.

1. The use of data from 100 interval meters on pilot participants, compared with the data from existing interval meters in EKPC's residential load research sample, will allow EKPC to test several aspects of usage, including changes in peak demand.
2. EKPC and its participating members will utilize surveys of pilot participants to gauge their perceptions of the pilot. EKPC and its participating members will

employ the survey to assess customer changes in usage with regard to thermostat settings, lighting, etc.

EKPC believes that the use of the two approaches above will result in a good understanding of customers who have a fixed bill.